

POLICY BRIEF • OCTOBER 2021

Employment and the Safety Net During the Pandemic

Wisconsin's unemployment situation has rebounded, but participation in government programs remains elevated

By Angela Rachidi



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Executive Summary

The onslaught of the COVID-19 pandemic led to widespread economic disruptions as households and businesses learned to cope with the virus and the public health response. The unemployment rate spiked to 14.8% in Wisconsin in April 2020 as thousands of workers lost jobs. However, in a testament to the resiliency of the state, the unemployment rate quickly returned to below 4% by March 2021 and remains there today.

Government policies played a large role in helping Wisconsin households cope with the pandemic. Among other things, Congress expanded unemployment insurance, food assistance and housing aid, while also providing direct cash payments to individuals and families.

Wisconsin families benefited from these efforts, but the long-term implications of these program expansions remain a question.

As of September 2021, receipt of unemployment insurance, federal food assistance and cash aid for low-income parents in Wisconsin remains higher than pre-pandemic levels — and in the case of food and cash aid, caseloads continue to rise — even though the economic situation in Wisconsin has improved greatly. State policymakers should monitor these trends carefully and ensure that policies include the proper incentives to help Wisconsinites leave government assistance and return to work.

Rising Caseloads in a Rebounding Economy

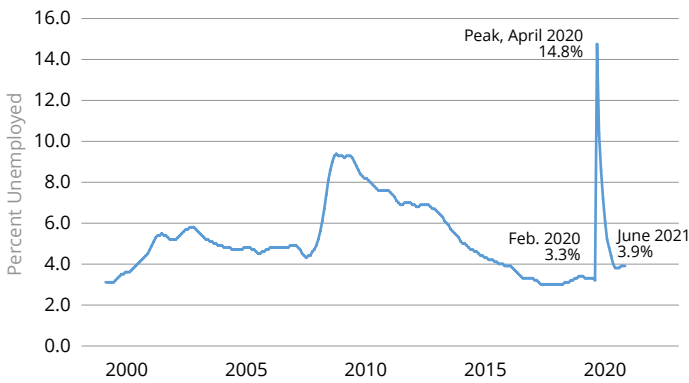
When the COVID-19 pandemic hit the United States last year, Wisconsin's economy was thriving. In February 2020, Wisconsin had among the lowest rates of unemployment in at least 20 years at 3.3%. The onslaught of the pandemic, however, brought widespread business closures and employment losses.

At no time in recent history had the Badger State experienced such a dramatic increase in unemployment in such a short time. However, as quickly as the unemployment situation de-

teriorated, it rebounded. Within six months of the start of the pandemic, the unemployment rate in Wisconsin was below 5%, and by the summer of 2021, it had fallen to 3.9%.

This policy brief summarizes data on three key safety net programs that proved crucial to ensuring that Wisconsin's low-income families could withstand the economic shock of the pandemic. These include unemployment insurance, the Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance for Needy Families (TANF)

Figure 1: Wisconsin's Unemployment Rate



Source: Bureau of Labor Statistics as reported by the Federal Reserve Bank of St. Louis Economic Data (FRED), <https://fred.stlouisfed.org/series/WIUR>

program. While these three programs represent only a small share of the overall response to the pandemic from federal and state governments, it is important to understand trends in program participation and their implications for the long-term economic recovery in Wisconsin.

Although the unemployment rate in Wisconsin has fallen to near pre-pandemic levels, participation in these three government programs remains elevated. In the case of TANF and SNAP, the number of Wisconsinites receiving benefits continues an upward trend even though the unemployment situation has greatly improved.

Unemployment Insurance

Unemployment insurance replaces lost wages for workers who lose their jobs, although not all workers hold jobs in “covered” employment, meaning some are not eligible for benefits. However, the federal government expanded the coverage of unemployment insurance during the pandemic by creating new federal programs, driving up the number receiving benefits even more than under state programs alone.¹ Importantly, unemployment insurance supports households during temporary periods of unemployment, helping them withstand an unexpected loss of income. However, overly generous unemployment insurance can keep people from returning to work.

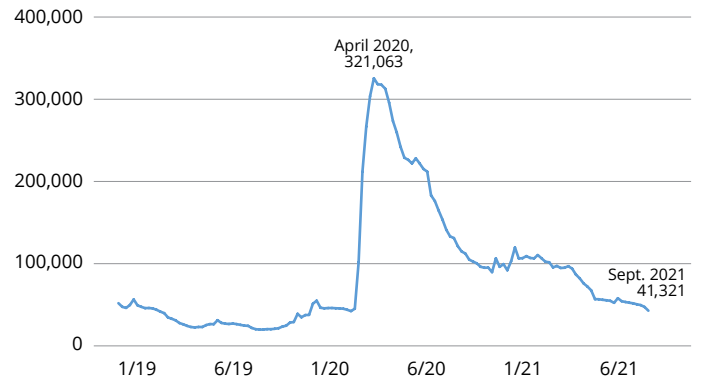
The number of continuing unemployment insurance claims skyrocketed in Wisconsin after the pandemic hit, reaching a peak of more than 320,000 claims for the week ending April 18, 2020, and notwithstanding all the problems Wisconsin faced processing unemployment insurance claims during the pandemic.² Continuing claims are a useful proxy for unemployed people receiving ongoing benefits.

As lockdowns started to ease in May 2020,³ the unemployment rate started to decline and continuing unemployment

insurance claims decreased. However, by the first week of September 2021, the number of continuing claims in Wisconsin was 41,000, still almost double the number of claims during the same week in 2019. Additionally, the number of continuing unemployment insurance claims was 31,000 in September 2016, the last time the unemployment rate in Wisconsin was 3.9%.

One potential reason for the elevated number of unemployment insurance claims in Wisconsin involves the federal programs enacted during the pandemic, which added benefits to state-run programs. Initially, federal programs provided \$600 per week on top of state unemployment benefits, which decreased to \$300 per week in July 2020. These “top-up” programs expired completely in early September 2021, suggesting that unemployment insurance claims in Wisconsin might start to return to levels more in line with historic levels associated with an unemployment rate of 3.9%.

Figure 2: Wisconsin's Continuing Unemployment Insurance Claims



Source: U.S. Department of Labor, Unemployment Insurance Weekly Claims Data by state, <https://oui.doleta.gov/unemploy/claims.asp>

Supplemental Nutrition Assistance Program (SNAP)

The Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, provides a monthly electronic benefit to low-income households to help them afford food. Generally, households are eligible for SNAP if their income is below 130% of the federal poverty level (or approximately \$35,000 for a household of four). Research shows that SNAP is countercyclical, which means that participation increases during economic downturns and decreases once the economy starts to rebound.⁴

Federal lawmakers made major changes to SNAP during the pandemic to help families hurt by the economic fallout. From March through the end of June 2020, the U.S. Department of Agriculture (the federal agency that oversees SNAP) gave Wisconsin, along with other states, the

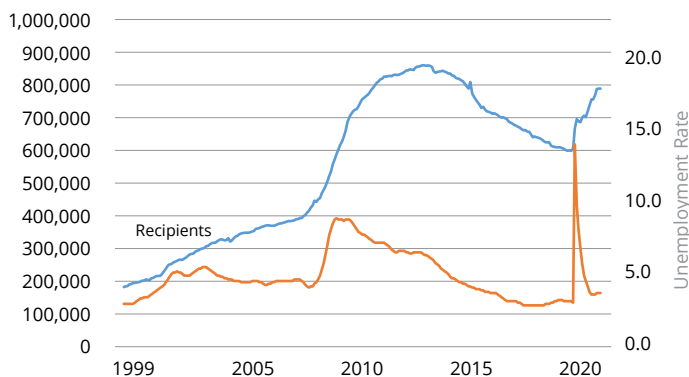
authority to delay benefit recertifications. This meant that Wisconsin households were not required to recertify their SNAP benefits and, therefore, they continued receiving SNAP benefits regardless of changes in circumstances, such as income or household composition.

Recertifications often result in closed SNAP cases because households are found to be ineligible due to income or household changes. By delaying recertifications, some households received benefits longer than they should have, leading to higher SNAP caseloads overall. Additionally, Congress authorized “emergency allotments,” which increased SNAP benefits to the maximum regardless of other income in the household. This change alone increased the average nationwide SNAP benefit by 40% in April 2020 and increased the incentive among low-income families to participate in the program.

Another change resulted from Congress’ December 2020 COVID-19 economic relief package, which enacted a temporary 15% across-the-board increase in SNAP benefits, on top of the emergency allotments. The 15% boost expired at the end of September 2021, but the USDA permanently increased SNAP benefit levels by more than 25% on average through a routine review of the Thrifty Food Plan.⁵

The result of these changes has been tremendous growth in SNAP participation in just a short time, while costs have skyrocketed. Consistent with the countercyclical nature of SNAP, the number of Wisconsin residents participating in SNAP increased during the pandemic as the unemployment rate spiked, similar to past recessions. However, participation in SNAP has continued to grow even as the unemployment rate has dropped.

Figure 3: SNAP Recipients and Unemployment Rate: October 1999–June 2021



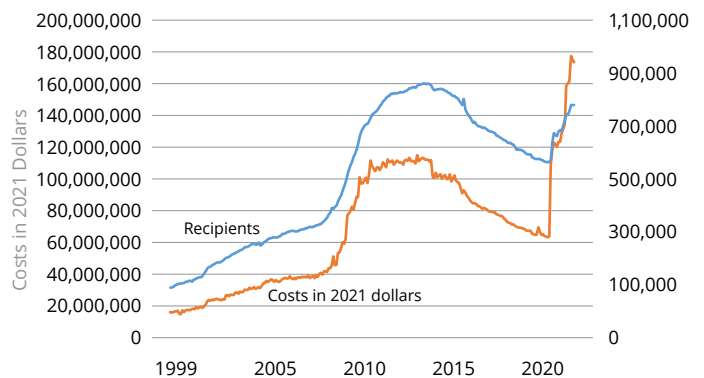
Source: USDA Food and Nutrition Service, SNAP Data Tables, <https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap> and Bureau of Labor Statistics as reported by the Federal Reserve Bank of St. Louis Economic Data (FRED), <https://fred.stlouisfed.org/series/WIUR>

Note: January and February 2019 data were excluded due to anomalies because of the federal government shutdown.

Payments to SNAP households in Wisconsin also have skyrocketed, increasing 167% from June 2019 to June

2021, while participation increased almost 30%. The increase in monthly SNAP payments is the result of increased participation but primarily due to the “emergency allotment” policy enacted in March 2020 and the 15% increase in SNAP benefits from December 2020.

Figure 4: SNAP Recipients and Total SNAP Payments: October 1999–June 2021

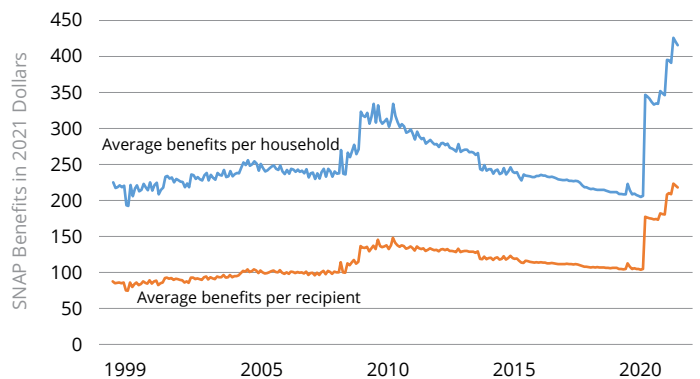


Source: USDA Food and Nutrition Service, SNAP Data Tables, <https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap>

Note: January and February 2019 data were excluded due to anomalies because of the federal government shutdown.

The average SNAP payment per household and recipient also has increased rapidly since the start of the pandemic. In June 2021, the average SNAP household received approximately \$200 more in benefits than in June 2019. This is more per SNAP household on average in constant dollars than at any time in the past 20 years. Higher government benefits increase the likelihood that people will reduce work hours or leave employment altogether.⁶

Figure 5: Average SNAP Benefits in Wisconsin: October 1999–June 2021



Source: USDA Food and Nutrition Service, SNAP Data Tables, <https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap>

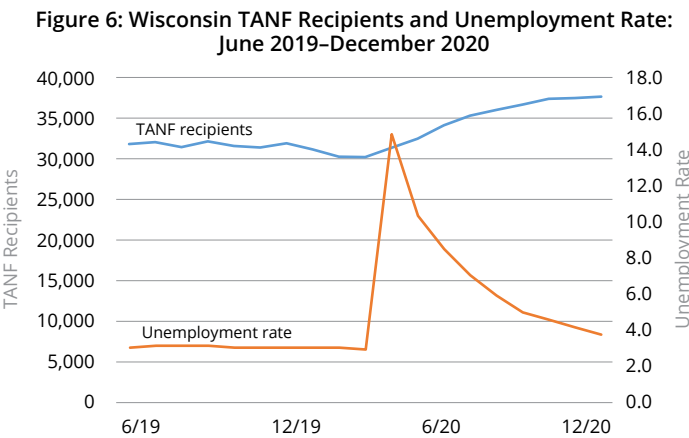
Note: January and February 2019 data were excluded due to anomalies because of the federal government shutdown.

Temporary Assistance for Needy Families (TANF)

The Temporary Assistance for Needy Families (TANF) program provides cash assistance to very low-income families, mostly single mothers and their children. Although

the size and scope of TANF has diminished over the years, it is one of the only government programs that provides direct cash assistance to poor families with children. TANF is less responsive to economic downturns than unemployment insurance or SNAP, for example, because it serves a different population.⁷ While unemployment insurance, and SNAP to some extent, covers people recently unemployed, TANF tends to serve parents with very little work experience and substantial barriers to employment, such as health issues or very low education levels.

The number of TANF recipients can be an indicator of broader problems with the labor market, though, because when jobs are scarce, poor parents might be more likely to turn to TANF than when the job market is tight. Data on the number of Wisconsin parents and children receiving TANF shows a steady increase since the beginning of 2020, initially consistent with a slightly higher unemployment rate. However, the TANF caseload has continued to increase even though the employment situation has improved. For context, the number of TANF recipients in Wisconsin after the Great Recession peaked at 63,000 in 2011 and 2013.



Source: DHHS, Administration for Children and Families, TANF and SSP Monthly Recipients. December 2020 is the most recent month with available data.

Conclusion

Receipt of government benefits among Wisconsin residents remains higher than before the pandemic started even though the economic situation has improved greatly. At the beginning of September 2021, continuing unemployment insurance claims were well below the number from early in the pandemic but remained elevated from pre-pandemic levels. This may change as expanded federal unemployment insurance programs expire, leaving only state-level benefits available for the unemployed. SNAP and TANF participation also increased shortly after the pandemic started and remained at elevated levels through at least the

end of 2020 for TANF and the beginning of summer 2021 for SNAP, based on available data.

Although TANF has a state funding requirement, the federal government largely funds TANF and fully funds SNAP, suggesting that state officials might be indifferent to increased participation in these programs. However, increased program participation might reduce labor force participation and slow Wisconsin’s economic recovery.

While the economic resources provided though enhanced unemployment insurance, SNAP and TANF were important as the state dealt with the pandemic, long-term generous benefits and elevated caseloads could discourage some people from reentering the labor market and slow economic growth. The labor force participation rate in Wisconsin was 66.5% in August 2021, slightly below the rate in August 2019 of 67.2%.⁸ However, Wisconsin businesses have reported difficulties finding employees, suggesting a very tight labor market and room for increased labor force participation.⁹

State-level policymakers should monitor participation in these programs carefully. For Wisconsin’s economy to regain its footing fully, people must be available and willing to work. The expiration of federal unemployment insurance programs in September 2021 likely will help in the coming months.¹⁰ However, state leaders also must reinforce and reinstate work requirements in TANF and SNAP to encourage labor force participation.



About the author

Angela Rachidi is a Senior Fellow and the Rowe Scholar in poverty studies at the Washington, D.C.-based American Enterprise Institute, where she studies poverty and the effects of federal safety net programs on low-income people in America. She is an expert in support programs for low-income families, including the Temporary Assistance for Needy Families, the Child Care and Development Block Grant and the Supplemental Nutrition Assistance Program. Rachidi, a Badger Institute visiting fellow, lives and works remotely from Madison.

Endnotes

- 1 See a summary from the Department of Labor, <https://www.dol.gov/coronavirus/unemployment-insurance>.
- 2 The Wisconsin Department of Workforce Development has struggled throughout the pandemic to process unemployment insurance claims, a problem that has continued into the summer of 2021: <https://www.jsonline.com/story/news/local/wisconsin/2021/07/30/wisconsin-failed-meet-rules-clearing-unemployment-appeals/5429031001/>.
- 3 <https://www.npr.org/2020/05/14/856347580/some-wisconsin-counties-decide-to-end-the-coronavirus-lockdown>
- 4 Hanson and Oliveria, “How Economic Conditions Affect Participation in USDA Nutrition Assistance Programs,” and Klerman, Jacob Alex, and Caroline Danielson, “The transformation of the supplemental nutrition assistance program.” *Journal of Policy Analysis and Management* 30, No. 4 (2011): 863-888.
- 5 <https://www.aei.org/poverty-studies/president-bidens-over-reach-on-snap/>
- 6 Research suggests that the introduction of food stamp benefits decrease labor supply, see Hoynes, Hilary Williamson, and Diane Whitmore Schanzenbach. “Work incentives and the food stamp program.” *Journal of Public Economics* 96, No. 1-2 (2012): 151-162 and East, Chloe N. “Immigrants’ labor supply response to Food Stamp access.” *Labour Economics* 51 (2018): 202-226.
- 7 Bitler, Marianne, and Hilary Hoynes. “The more things change, the more they stay the same? The safety net and poverty in the Great Recession.” *Journal of Labor Economics* 34, No. S1 (2016): S403-S444.
- 8 See data from the Department of Workforce Development, <https://dwd.wisconsin.gov/press/unemployment/2019/190919-august-state.pdf> and <https://dwd.wisconsin.gov/press/210916-august-state.htm>.
- 9 See <https://www.jsonline.com/story/news/2021/09/02/wisconsin-companies-hiring-thousands-unfilled-jobs-benefits/5688764001/> and <https://www.jsonline.com/story/money/2021/09/02/manufacturers-desperate-fill-jobs-offer-many-new-incentives/5663335001/>.
- 10 Although the research has been mixed, economists suggest that the expiration of federal unemployment insurance programs increased job growth in the states that allowed the benefits to expire early. See <https://www.gspublishing.com/content/research/en/reports/2021/08/21/80a7093f-b7a9-4a05-84e3-a28ac2adab70.html>.